

Building a Better Future Today

2018 SUSTAINABILITY
PROGRESS REPORT

GRANITE[®]

Socially aware.
Environmentally responsible.
Economically conscious.

Sustainability is our strategic
approach to managing our
business with the future in mind.

We are building a better future
and we want you to be part of it.

SunLink™ Modern Streetcar
Tucson, AZ

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A Message from our CEO

Building a Better Future Today

Granite plays an important role in improving the quality of life in our communities. By fostering a long-term, strategic approach to our business and our contributions to society, we strengthen our company and fulfill our commitment to building a better future for generations to come.

The role we play in society gives us a higher purpose that we are proud to serve. Providing reliable infrastructure contributes to a more sustainable society, and we understand that the work we do today will shape not only our communities, but also those of the future.

In 2018, we expanded our ability to provide sustainable infrastructure solutions with the acquisitions of Layne Christensen and LiquiForce, and with the formation of our Water and Mineral Services Group. Layne's expertise and positioning in the water and wastewater markets advances our goal of becoming a full-suite provider of construction and rehabilitation services. One of our cornerstone technologies in this service area is our ability to line underground

pipes in place to extend their life with minimal disruption to the surrounding communities.

Sustainability is about more than just doing the right thing, it is about doing things the right way. Operating with transparency and quality, and upholding the highest ethical standards, are core to our business practices. Our Sustainability Plan helps us maintain this focus while communicating our intentions to our stakeholders.

Our vision for sustainability is embedded in Granite's long history of building infrastructure with honesty and integrity, and with an awareness that what we build impacts generations to come. Past leaders built this company on a solid foundation of ethics and considered the future needs of our business, our team members, and the communities we serve. We continue this legacy through our enduring commitment to ethical and sustainable business operations.



“Granite is America’s
Infrastructure Company.TM
We exist to satisfy society’s
needs for mobility, power,
water, and essential services
that sustain living conditions
and improve quality of life.”

A handwritten signature in orange ink, reading "James H. Roberts". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James H. Roberts
President and Chief Executive Officer



About Granite

Granite is America's Infrastructure Company™

At Granite, we recognize that building reliable infrastructure is a key component to creating a more sustainable society. We take this responsibility very seriously. Our company provides infrastructure solutions for construction, program management, and alternative procurement, and is a vertically-integrated contractor with aggregate materials reserves throughout the U.S.

Granite is in the business of delivering infrastructure solutions for public and private clients in the Americas. Infrastructure solutions comprise the consistent delivery of ideas, innovations, products, and services to power today's mobile society and improve everyday life.

Our company purpose is inextricably linked to sustainability because the infrastructure we build is critical to supporting the sustainability of society, allowing the flow of commerce, supply of energy, and movement of goods and people.

Core Values

Deeply embedded in our history is a culture of hard work, honesty, and integrity. Since the beginning, our Code of Conduct and strong Core Values have guided our company to uphold the highest ethical standards. These values mandate that we operate our business in a sustainable way, and do what is right for future generations.



97
YEARS

7,200
EMPLOYEES

\$3.4B
ANNUAL
REVENUE

Forbes

Forbes Magazine, one of America's Best
Mid-Size Employers (2018)



10 Years

World's Most Ethical Companies
10 years in a row (2010-2019)



Certified

Great Place to Work (2017-2018)



ENR

Engineering News Record

2018 RESULTS

#7 Bridges
#24 Top 400
#1 Highways
#5 Mining
#6 Solar
#10 Dams/Reservoirs
#16 Airports
#17 Mass Transit/Rail
#21 Power

NAPA

National Asphalt Paving Association

14 NAPA quality
awards for paving projects

AGC

Associated General Contractors

First Place: Heavy/Civil/Highway
Division Over 1 million worker hours
Excellence Award: US12 Emergency
Repair Project

The "New" New York Bridge
Westchester to Rockland Counties

Defining our Purpose

What?

What Sustainability Means

Sustainable development “meets the needs of the present without compromising the ability of future generations to meet their own needs.”¹

Sustainable infrastructure refers to the designing, building, and operating of these structural elements in ways that do not diminish the social, economic, and ecological processes required to maintain human equity, diversity, and the functionality of natural systems.

Applying these principles to Granite, sustainability is our strategic approach to managing business with the future in mind: integrating values of social responsibility and environmental stewardship while supporting economic prosperity by building infrastructure that improves quality of life.

1. Report of the World Commission on Environment and Development: Our Common Future.

Why?

At its very core, sustainability is about people and their quality of life.

As a leading sustainable infrastructure provider, we accept our social responsibility to improve quality of life indefinitely without degrading the quantity, quality, or availability of natural, economic, and social resources.

We are committed to the health and vitality of our people and are duty-bound to preserve the company for generations to come by delivering sustainable, long-term performance.



How?

Strategy & Practical Application

Sustainability is incorporated directly into our company's strategic plan, which aims to grow long-term value for current and future generations.

We follow a comprehensive approach to sustainability, one that reduces environmental impact and fosters positive community interactions in all aspects of our business.

Sustainability is integrated into our planning and management procedures. At every level of decision making, this requires consideration of impacts to communities, the environment, the vitality of our people, and company performance.

Value

Value Added

Our commitment to sustainability adds value to Granite by attracting investors, clients, and new opportunities. It also enables our company to attract and retain talented, passionate team members with an interest in being part of something bigger than themselves.

On a practical level, sustainability programs also aim to identify and create opportunities to provide value by lowering risk, improving efficiency, reducing waste, cutting costs, and increasing profitability.

Sustainable practices help strengthen our reputation for ethical business practices, preserve integrity in our business, and earn public trust.



About this Report

Updating our Progress

Sustainability encompasses the wide range of environmentally and socially responsible goals we aspire to achieve. This report provides an update on our progress from 2016 through 2018, as well as new goals for 2020.

Granite established a Sustainability Center of Excellence in 2010, forming a Sustainability Council with representation from different facets of the organization including Operations, Human Resources, Business Development, Construction, Materials, Legal, Environmental, Finance, Equipment, Marketing, and Communications. In 2018, we brought on a Sustainability Specialist to work with the Council to guide strategy and reporting.

We constantly seek out new solutions and innovations to continuously improve our approach to sustainability. Since our last report, the Council was given the authority to

further refine our strategy. We expanded our strategic focus areas to be more comprehensive. This report is structured within three pillars of sustainability: social, environmental, and economic. Information on corporate governance relevant to the Economic, Social, and Governance (ESG) model of investment reporting is covered in Granite's [Annual Report & Proxy Statement](#).

This report represents Granite and its subsidiaries from 2016-2018, and does not include objective metrics from LiquiForce or Layne (acquired in 2018).





**Honolulu Authority for Rapid Transit
(HART) Elevated Guideway and Stations**

Honolulu, HI

Granite's scope includes the third guideway project in a series of projects to build a 20-mile light rail transit system for the City and County of Honolulu. This project will help reduce traffic congestion, reduce vehicle emissions, and improve quality of life for the community.



Safety & Health

Safety by Choice—Granite has a long-standing commitment to health and safety. We believe every individual is empowered to make safe choices for themselves, their team, and the people around them. All employees are entitled to a safe workplace and are held accountable to make safe choices, every day, to achieve the ultimate goal of zero injuries.

Our commitment to safety is reflected in our relationship-based safety training and development, which is implemented through Granite’s Safety and Health Management System. Every employee has a personal responsibility to diligently follow and enforce all elements of this system. Safety incident prevention is not something we do in addition to work, it is the way we work. This is why Granite has been recognized as one of America’s Safest Contractors with the 2017 American Road & Transportation Builders Association (ARTBA) Contractor Safety Award.

Safety Strategic Planning

In 2018, we created a five-year safety strategic plan to continue to move towards world-class safety performance. Our team of safety and operational

leaders identified several key result areas that are critical success factors in achieving our overall strategic mission.

Reducing New Hire Recordable Injuries

A large percentage of our injuries are to employees who have worked for our company for less than one year. To address this issue, we are implementing new techniques to increase the safety of new hires, including new onboarding procedures, mentoring, and a program where new hires wear high-visibility hard hats for their first 90 days.

“I constantly remind myself about my family at home waiting for me. My wife, son, and newborn daughter are the exact reason why I am safe by choice.”

Alex Campos
Foreman, Granite



Craft Safety Connection Program

Granite's craft-driven program, which will be introduced in 2019, gives craft employees a larger voice in their personal safety and the safety of their coworkers. Through this program, craft employees work in partnership with management through ownership, communication, and prevention to achieve our goal of getting everyone home safely at the end of the day.

This program demonstrates a new form of stakeholder engagement at Granite. By increasing engagement with field employees on project sites, and further empowering them to influence the culture of safety, we hope to achieve our ultimate goal of zero injuries.

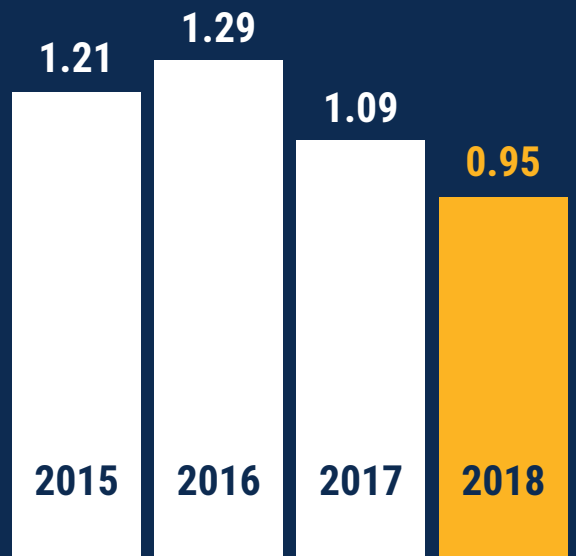
National Safety Week

The mission of national safety week is to raise awareness and focus on injury prevention. Each year we partner with other companies in our industry to kick off the construction season with a unified message and commitment to preventing injuries. Across the company, we conduct specialized events and activities each day of safety week.



By 2020, we will reduce our OSHA safety incident rate to 0.9.

2018 marked the lowest OSHA incident rate in our company's history, surpassing our target of 1.0.



2020 OBJECTIVE



SOCIAL

Community

We are committed to improving the quality of life in the communities in which we live and work, and to contributing to their well-being through charitable donations and activities. We foster a culture that actively encourages our people to make a difference in our communities.

Granite supports charitable organizations nationwide through financial contributions. These efforts are guided by our Charitable Contributions Committee, which is composed of representatives from all around our company.

Our employees take pride in our Core Values, and many cite these values as a major reason they choose to work at Granite. Three of these Core Values exemplify our commitment to improving the communities in which we live and work: Consideration of Others, Reliability, and Citizenship.

Our employees are passionate about giving back and helping others. The causes they choose to support are as diverse as they are. Here is a snapshot of some of the ways they give back.

20 Years Supporting Boys & Girls Club of Ukiah

Every September, Granite's Ukiah, California office sponsors a community-wide chili cook-off to support the Boys & Girls Club of Ukiah. In 2018, the event raised \$28,000 and drew the participation of 28 local businesses that set up booths and gathered teams to cook chili while hundreds of families and friends set up chairs and picnic blankets to enjoy the food, music, and people.



"We build the infrastructure that supports and enhances the communities where I live and work. The roads, water systems, airports, construction materials, and power delivery all support the quality of life of those around me. It's tremendously rewarding to know that my job truly makes a difference to my neighbors."

Bill Taylor
Resource Development Manager, Granite

By 2020, we will further engage employees with volunteering for charitable organizations by establishing a method to track employee volunteer time.

2020 OBJECTIVE



Granite World Habitat Day Volunteers
Tucson, AZ

Children Learn about STREAM Education

Granite's South Coast Region partnered with The Project Cornerstone at the San Diego Children's Discovery Museum in 2018 to introduce children ages three and up to STREAM education. STREAM stands for science, technology, reading, engineering, art, and math. Through hands-on stations focusing on each subject area, Granite employees helped children make concrete while explaining how concrete is used in construction.

World Habitat Day

Arizona Region team members volunteered their time and construction skills to support World

Habitat Day 2018. The team joined hundreds of local volunteers to help Habitat for Humanity frame and raise walls on six new homes.

Second Harvest Food Bank

During the 2018 holiday season, our Corporate office in Watsonville, California partnered with Second Harvest Food Bank to supply meals to children, seniors, and veterans in need. This team far exceeded their goal of supplying 8,000 meals by collecting enough food and funding to supply 31,773 meals to the local community.



STREAM Education
San Diego, CA



Boys & Girls Club
Everett, WA



SOCIAL

Our People

Our most powerful partnership is the one we have with our employees. We value our close-knit culture in which excellence is rewarded and diversity is respected and valued. We strive to attract top industry talent, create a fully engaged workforce, and create growth opportunities to retain the talent we have developed.

Wellness Program Participation

We improved our Wellness Program by implementing Vitality Wellness in 2017 for employees and their spouses, providing a user-friendly and incentivized wellness experience. We also established champions in each region to encourage employees to participate. These improvements have led to increased participation.

Forbes America's Best Mid-Size Employers

Granite has been recognized as one of Forbes America's Best Mid-Size Employers for three years in a row. We are always looking to continuously improve employee engagement.

Women in Construction

Since our previous report in 2016, we have extended our participation in initiatives that support women in construction. In January 2018, we established Granite's Resources and Opportunities for Women (GROW), a forum to advocate for and support women through mentorship, networking, and career development. We have established local GROW chapters throughout the country and plan to roll out GROW to our craft employees in 2019.

EMPLOYEE WELLNESS PROGRAM

2017
55.5%
of employees completed
a Vitality Health Review

25.8%
of employees completed
a Biometric Screening

2018
48.6%
of employees completed
a Vitality Health Review

30.5%
of employees completed
a Biometric Screening





2020 OBJECTIVE

By 2020, we will increase females and minorities in management and leadership positions.

The percentage of people in leadership positions who were either women or minorities was 15.5% in 2018.

Granite employees and members of Granite's Resources and Opportunities for Women (GROW) Seattle, WA

Additional associations and initiatives that Granite participates in to support women in construction include:

- National Association of Women in Construction (NAWIC). Jim Roberts, President and CEO, presented at the 2018 NAWIC Builds Conference.
- Groundbreaking Women in Construction (GWIC) Conference
- Society of Women Engineers (SWE)
- Women's Transportation Seminar (WTS)
- Women Build Nations
- Women of Asphalt

Diversity & Inclusion

We recognize the importance of diversity and inclusion in society and in the workplace. The topic of Diversity and Inclusion has been

integrated as a key component of our corporate strategic plan, and a new Center of Excellence has been formed.

We are actively working on improving our analytics and targets for increasing diversity in our workforce. We are also working to improve strategies for recruiting, training, and development so we can provide rewarding opportunities for women and diverse candidates.

While our year-over-year numbers are increasing, we are actively engaged in strengthening the number of women and minorities in leadership.

2020 OBJECTIVE

We will be recognized as a 'Great Place to Work.'

Granite was certified as a 'Great Place to Work' in 2017-2018.

WOMEN & MINORITIES IN LEADERSHIP POSITIONS

2015	2017
11.6%	15.6%
2016	2018
14.1%	15.5%



SOCIAL

Compliance & Ethics

Our commitment to defining, improving, and upholding a tradition of the highest ethical values and responsible business practices, as described in our Code of Conduct, has helped Granite build client and stakeholder confidence.

Compliance & Ethics Training

The heart of ethical and compliance-driven business practices lies in preventive education and training at all levels of an organization. These learning opportunities take place at field sites, warehouses, laboratories, on laptops and tablets, and in classrooms and boardrooms. They cover not just ethics and compliance, but also how our core values are applied to making daily decisions that keep our employees safe and our company strong.

In 2018, we updated our core ethics and compliance curriculum to provide fresh training segments for employees entering our workforce.

One of America's Most Trustworthy Companies

In 2017, Granite was recognized for a third consecutive year by Forbes as one of the 100 Most Trustworthy Companies in the United States. Forbes uses this award to highlight companies that are rated highest on accounting and governance factors, such as regulatory actions, amended filings, reserve and expense recognition methods, and bankruptcy risk.

One of World's Most Ethical Companies®

Granite has been recognized by the Ethisphere Institute for 10 years in a row as one of the World's Most Ethical Companies®. Granite is one of only four construction companies recognized in 2019, with a total of 128 companies listed, spanning 21 countries and 50 different industries.

2020 OBJECTIVES

By 2020, we will provide basic compliance training to more than 99% of employees company-wide.

Out of 1,289 employees eligible for compliance and ethics training for 2016-2018, a total of 1,227 (95%) completed training. Out of 1,162 employees eligible for Disadvantaged Business Enterprise (DBE) compliance training for 2016-2018, a total of 1,103 (95%) completed training.

By 2020, we will adopt an Anti-Bribery Compliance Program to conform to ISO 37000. This risk-based approach assists organizations in developing controls and processes to mitigate risk of bribery.



2019 | WORLD'S MOST ETHICAL COMPANIES™
WWW.ETHISPHERE.COM



Environment

Our Commitment

Our commitment to the environment is illustrated by the key objectives of our environmental policies: exceeding requirements of applicable environmental laws and regulations; preventing pollution; conserving natural resources; and reducing environmental impacts to water, air, land, and wildlife. Our fundamental responsibilities are to meet or exceed our clients' environmental goals, manage environmental risk and responsibilities, and build our work and reputation as an industry leader in environmentally responsible construction operations.

Keep Tahoe Blue

Multi-Use Bike Path and Storm Water Improvement Project

In 2016, Granite Construction partnered with the Nevada Department of Transportation (NDOT) through the Construction Manager at Risk (CMAR) process to design and construct a three-mile multi-use bike path along the northeastern shores of Lake Tahoe. This part of the bike path represented the most challenging and environmentally sensitive segment due to steep terrain and close proximity to the pristine lake shoreline. The project is scheduled for completion in 2019 and will serve the local community, over 2,000 pedestrians/cyclists, and 2.6 million visitors that utilize the area annually.

Tahoe Multi-Use Bike Path
Lake Tahoe, NV



KEEP GRANITE GREEN

Protect Water

Protect Land

Protect Air

Protect Wildlife

Conserve Resources



ENVIRONMENTAL

Environmental Performance

In forming our 2020 objectives, we set a goal to achieve an average client satisfaction score of 4.5 out of 5.0 for environmental management performance.

Beginning in 2018, our customer interview survey was modified to include a question to evaluate and solicit feedback associated with our environmental performance on projects. In 2018, we conducted 302 customer interviews, with an average customer satisfaction score for environmental performance of 4.45 out of 5, which nearly met our 2020 objective.

Using Telematics to Reduce our Carbon Footprint

One of our goals is to reduce greenhouse gas emissions/fuel consumption associated with mobile fleet and asphalt plant operations by two percent year-over-year. One of the challenges for reducing our carbon footprint is accurately accounting for the use of all owned and rented equipment assets to quantify fuel consumption. We are continuing efforts to develop an efficient and accurate data gathering solution to track and evaluate this objective.

The use of telematics provides valuable information from a sustainability and safety perspective, including fuel consumption, driving habits, and proper operation and use of equipment. Granite began this effort in 2015 and we have since increased the number of equipment/vehicle assets using telematics by 85 percent, for a total equipment/vehicle count of 1,900. From an environmental perspective, we are seeing positive results that are contributing to improved fuel consumption reductions.

TELEMATICS: REDUCTION OF FUEL CONSUMPTION

8%

Reduction of miles traveled

8%

Improvement of our overall fuel economy

60%

Reduction of hard acceleration and braking

40%

Reduction of driving speeds over the posted speed limit

2020 OBJECTIVES

By 2020, we will achieve an average client satisfaction score of 4.5 out of 5.0 for environmental performance.

In 2018, a total of 302 customer interviews were conducted with an average customer satisfaction score for environmental performance of 4.45 out of 5, which nearly met our 2020 objective.

By 2020, we will reduce greenhouse gas emissions/fuel consumption by 2% year-over-year associated with mobile fleet and asphalt plant operations.

We are continuing to develop an efficient and accurate data gathering solution to track and evaluate this objective. One key part of this is the telematics program for our equipment, which has improved fuel economy by 8%.



75K

Cleared more than 75,000 cubic yards of mud and debris from the roadway

250K

Removed and disposed of over 250,000 cubic yards of mud and debris

12 DAYS

Worked around the clock for 12 days to reopen Highway 101

Emergency Response

Montecito Emergency Flooding Rehabilitation Project

During 2017, the entire coastal range near Santa Barbara, California was devastated by record-breaking fires that stripped and destroyed natural vegetation.

Shortly thereafter, intense rainfall caused disastrous mudslides, debris flows, and flooding, leading to tragic loss of life, severe property damage, and a community in need of significant help. Stormwater basins and control channels were overrun and Highway 101—the most critical transportation corridor in the area—was buried by mud and

debris, leading to a 12-day closure of the roadway. Granite immediately mobilized and worked with state authorities to clear more than 75,000 cubic yards of mud and debris from Highway 101.

This event caused a community crisis and a significant environmental emergency requiring removal and disposal of over 250,000 cubic yards of mud and debris. Granite worked closely with Caltrans and local first responders around the clock for 12 days to reopen the highway.



ENVIRONMENTAL

Sustainable Solutions

Transportation

For nearly a century, we have constructed some of the most complex projects in our nation's history, developing urban and rural transit programs that connect millions of people, freight, and products every day.

Roads & Bridges

Solutions include reducing traffic congestion, reducing overall vehicle emissions, improving long-term maintenance, and reducing environmental impacts that extend the life-cycle of transportation infrastructure.

Airports

We are advancing technology and improving safety, security, and quality for air passenger terminals, terminal access runways, and more.

Mass Transit & Rail

Public mass transit continues to spur economic growth, revitalize downtowns, and offer sustainable alternatives to travelers. In the last two decades, we have completed more than \$10 billion in transit rail and multi-modal facilities.

Water

Conserving, protecting, and channeling water is more than a vital part of our business—it's an ethical obligation for sustainable development.

Dams, Reservoirs & Water Infrastructure

Throughout the country, we have constructed dams and flood control structures, reservoirs, wastewater treatment plants, and cured-in-place pipe rehabilitation.

Trenchless Pipe Renewal

With the combined patented solutions with Granite Inliner, Kenny Construction, and LiquiForce, cured-in-place pipe renewal provides solutions for water, wastewater, and stormwater infrastructure problems throughout the Americas.

These systems improve the life of existing pipelines by improving structural and hydraulic characteristics while reducing project costs.

Water Transmission & Delivery

Granite serves a vital role in constructing municipal and private water/wastewater distribution systems.

Specialty

Power

Nationally ranked #21 in Power and #6 in Solar, we offer innovative power solutions for electricity generation, pump storage, transportation, and rural energy services that result in significant energy security and economic benefits.

Tunnels

Environmental factors such as soil and groundwater conditions, length, diameter, and depth of the tunnel are assessed to skillfully perform cut-and-cover, bored tunnel, drilling, and blasting techniques for both transit and utility tunnels.

Mining, Oil & Gas

Proudly serving the world's largest private industrial clients, we build roads and airfields, as well as foundations, reclamation, water management, industrial rail, geological explorations, and power services.

Environmental Services

While all of our projects require environmental planning, delicate remediation projects such as brownfield site excavation, dewatering, dredging, and channel reroutes require special environmental considerations.

Granite offers a diverse portfolio of sustainable infrastructure solutions to improve the everyday life of our clients. Leveraging our recently expanded geographic footprint and end-market diversification, Granite is positioned to create more long-term value than ever before.

Materials

We safely mine quality aggregates that fuel infrastructure, and we are proud to be a trusted partner to our clients.

Aggregates are the most mined material in the world. Granite owns and operates asphalt and aggregate facilities across the western United States. We expertly mine high-quality aggregates that are used for foundations, roads, railroads, and drainage. Aggregate products include bases, specialty sands, decorative/landscape, rip rap/gabion, and drain rock.

Use of Reclaimed Asphalt Pavement (RAP), also referred to as Recycled Asphalt Product

Asphalt has become one of the most recycled aggregate materials in the country. RAP is routinely accepted in asphalt paving mixtures as an aggregate substitute and as a portion of the binder in nearly all 50 states.

Sustainable Business

At Granite, we are not just builders—we are a sustainable infrastructure resource for our customers and communities. In 2018, we expanded our portfolio to include water drilling and wastewater management solutions with the acquisitions of Layne and LiquiForce.

Reducing Greenhouse Gas Emissions²

Transportation accounts for 29 percent of greenhouse gas emissions in the United States. By moving more people with fewer vehicles, public transportation can reduce greenhouse gas emissions. National averages demonstrate that public transportation produces significantly lower greenhouse gas emissions per passenger mile than private vehicles. Heavy rail transit such as subways and metros produce on average 76 percent lower greenhouse gas emissions per passenger mile than an average single-occupancy vehicle (SOV). Light rail systems produce 62 percent less and bus transit produces 33 percent less greenhouse gas emissions than an average SOV.



Granite Aggregate Facility
Lockwood, Nevada

In 2018, Granite used 919,000 tons of RAP and 5,000 tons of Reclaimed Asphalt Shingles (RAS) in the production of 5.88 million tons of asphalt.

At left: Processed RAP stockpile ready for use at Granite's Aggregate Facility in Lockwood, Nevada.

2: Federal Transit Administration, Regulations and Guidance, Environmental Programs, Transit and Environmental Sustainability.



ECONOMIC

Operational Excellence

At Granite, we strive for operational excellence through planning and execution every day. This is critical for delivering immediate results while sustaining long-term performance. We strive to be consistent and reliable when executing work without compromising any element included on our Operational Excellence Star.



Achieving Operational Excellence

We achieve operational excellence and build a better business when we deliver value to stakeholders by: getting our people home safely every day; meeting budgets and schedules; getting it right the first time; earning our reputation as one of the World's Most Ethical Companies®; protecting the environment and using resources responsibly; and continuously improving.

2020 OBJECTIVES

By 2020, we will establish a baseline for measuring first time quality (FTQ) with a long-term goal to achieve greater than 98% of work installed right the first time.

Granite uses a Plant Quality Performance Index (PQPI) to measure FTQ for the production of construction materials. In 2018, first time quality was achieved 77% of the time, setting a baseline for improvement.

We are working on establishing a measure of FTQ for construction. A model has been developed using work planning and quality checklists, and pilot programs have been initiated to test feasibility on active projects.



Quality & Safety of our Products & Services

Quality plays a key role in Granite's pursuit of Operational Excellence. Our mission is to "get it right the first time" to achieve client satisfaction, prevent risk, and drive improvement. Our quality system and the procedures contained in our Granite Management System (GMS) provide a foundation for employee training that ensures the safety of the products and services we provide.

Get it Right the First Time

Our approach to "first time quality" is straightforward. We start by developing a deep understanding of our clients' expectations before conducting a thorough constructability review of design and contract requirements. We combine that knowledge with our expertise to create detailed work plans that establish means and methods that address design and construction risk. During the execution of work plans, we use preconstruction meetings, initial install inspections, follow-up inspections, tests, and checklists to verify that our work and materials

satisfy expectations and requirements. We regularly monitor our quality system for accuracy and efficiency using internal and external audits to identify improvement actions and opportunities.

Creating a "Total Quality" Approach

In 2018, Granite's Desert Cities Region in Indio, California established a goal to train everyone in the region on their role and responsibility to support a "Total Quality" approach to their work. The region required all projects to perform an Estimating to Project Team Hand-off, phase planning, and detailed work planning. Foremen were involved in creating work plans and communicated quality expectations to crews in the field for execution. The effort began paying off with noticeably reduced project write-downs and more consistent schedule performance. Above all, this approach identified a model for communicating expectations to the field and will become the foundation for measuring first time quality for construction activities.

Granite wins NAPA Quality in Construction Awards

Granite received 14 Quality Awards from the National Asphalt Paving Association (NAPA) in 2018, including the prestigious Ray Brown Quality in Airport Pavement Award for the Santa Barbara Municipal Airport Runway 7-25 Project in California. Successful client satisfaction on these projects required collection and analysis of thousands of quality samples, tests, and inspections performed by Granite's highly-qualified lab and field technicians. The daily setup and placement of asphalt required detailed planning to ensure uninterrupted and continuous operation throughout the shift as 3D models were regularly updated to ensure proper grades were obtained.





Client Alignment

We are committed to partnering with clients through continuous feedback and process improvement.

Granite’s Client Alignment Model (CAM)

CAM focuses on Business Development. Client alignment begins with first client contact through Business Development. Granite’s Client Alignment Model is designed with the primary focus of creating, selling, and delivering value for our clients that results in a profitable and sustainable business. Processes including client alignment, competitor analysis, identification of key differentiators, and client value creation result in winning more work for the company.

Granite’s Client Satisfaction Program: eCAM

eCAM stands for our Client Alignment Model with a focus on execution from the start of construction through completion. We collect client feedback throughout the course of the project as opposed to just at the end.

The eCAM Purpose Statement states: “Create complete alignment with our clients through continuous feedback and performance improvement with a focus on operational excellence and client delight.”

We create a project atmosphere that emphasizes:

- A relentless focus on what matters to the client
- Continual progress metrics – not just at end
- Increased project predictability
- More transparency
- Maximum communication and responsiveness
- Smooth project journey
- Complete alignment

We began conducting eCAM surveys as a pilot project in 2016. Presently, we are carrying a company average eCAM score of 4.3 compared to the 2020 target of 4.5. Our revised 2023 eCAM target has been raised to 4.8.

Collecting eCAM feedback regularly and creating corrective follow-up action on any scores under 4.0 with affected clients offers the following benefits:

- Better client relationships
- Continual improvement
- Client delight vs. client satisfaction
- Proposal differentiation
- Reduction in claims
- Trusted partners





2020 OBJECTIVES

By 2020, we will achieve a client satisfaction score of 4.5 out of 5.0 for 75% of our total clients.

In 2018, the average client satisfaction score was 4.3.

Scoring Scale:

5 = Exceeds Client Expectations

4 = Achieves Client Expectations

3 = Typical of Industry

2 = Below Expectations

1 = Unacceptable Performance

By 2020 we will increase the capture of private construction work to 30% of our total construction portfolio revenue.

In 2018, revenue from private work comprised 19% of total construction revenue. This was an increase from previous years: 17% in 2015, 16% in 2016, and 19% in 2017.

Increasing Capture of Private Work

We added a new objective related to increasing the capture of private construction work. More private work will allow us to "GET LEFT," i.e. engage the owner earlier in the procurement process with high value project solutions.

GRANITE'S CLIENT ALIGNMENT MODEL (CAM)

CAM training consists of two days of class with a focus on repeatable behaviors, processes, and tools. Led by our business development leadership team, the classes are a mixture of presentation, workshop, and case study teaching methods. Each class is tailored with case studies relevant to the specific region or division for increased resonance.



The CAM Business Development Award



ECONOMIC

Innovation

Innovation is critical to advancing our industry. Our people, coupled with a flawless execution of their ideas, are the center of innovation, constantly seeking to elevate Granite beyond a standard business mindset.

Innovative infrastructure solutions have always been an important aspect of our business operations, as our employees continuously face new challenges that require ingenuity and creativity to drive success.

Continuous Improvement

We have implemented a continuous improvement initiative that focuses on problem-solving methodology, brainstorming, collaborative approaches to finding solutions, and building a culture that encourages us to always strive to find

a better way. We support these efforts through training programs that include Lean and Lean Six Sigma.

Leveraging Alternative Procurement Delivery Methods (APDM) for Innovation

We have successfully completed APDM projects of all sizes and complexities, serving as Principal Participant and Joint Venture Partner, teaming with the most well-respected contractors and designers in the industry. We prefer the APDM methods, as the process reduces risk due to

LEAN LEADER & LEAN SIX SIGMA TRAINING

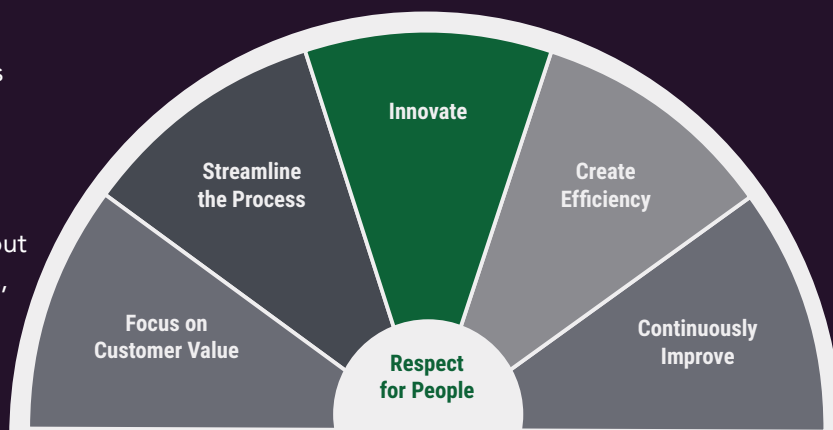
Lean is a way of building on our innovative culture by providing additional skills and fostering a culture where every employee feels empowered to innovate and make improvements.

Lean is an excellent fit with our business, as it puts respect for people and their capabilities at the center and includes innovation as a key principle.

In 2019, we plan to expand our focus on Lean by continuing to train Lean Practitioners and rolling out Lean Leader and Frontline Lean training programs, directed toward managers and field supervisors.

2020 OBJECTIVE

By 2020, through our continuous improvement initiative, we will complete at least 50 improvement projects per year that support innovation and creativity.





SR 99 FRESNO CMGC: \$42 MILLION INNOVATION SAVINGS



SR 99 Fresno CMGC
Fresno, CA

Overall, innovations saved \$42 million in construction and right-of-way acquisition costs and reduced the schedule by 14 months. One innovation included the design of approximately 600 LF of Gravity Walls. The Gravity Wall innovation resulted in an early work savings (EWS) of approximately \$1.3 million, adding to a total EWS and main contract savings of \$42 million.

more collaboration, develops more constructable plans, and creates a cohesive environment for fostering innovation.

Owners and agencies benefit greatly from early contractor and subcontractor involvement with the Construction Manager At-Risk (CMAR) and the Construction Manager/

General Contractor (CMGC) project delivery, specifically during the initial preconstruction services phase. Granite offers in-house professionals with extensive preconstruction, value engineering, estimating, and engineering capabilities — ensuring that the best value is achieved before the shovel breaks ground.

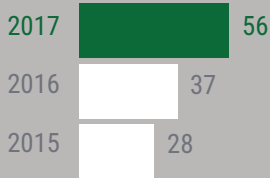
CONTINUOUS IMPROVEMENT

26 BLACK BELTS

Since launching the program in May 2014, we have trained 26 Lean Six Sigma Black Belts and completed more than 180 discrete improvement projects.

55 PROJECTS

In 2018, we completed 55 Continuous Improvement projects.



12 SESSIONS

In 2018, we rolled out Lean Practitioner training that focuses on problem-solving. We have completed 12 sessions, training over 200 people.



ECONOMIC

Infrastructure Investment



Infrastructure plays a crucial role in our communities. Our goal is to act as an ambassador for the good that infrastructure projects can do for people, prosperity, and the planet, while advancing sustainable business practices in our industry. We actively participate in industry associations and government programs that advocate for the funding and development of sustainable infrastructure.

Investing in our Future

Adequate and reliable public funding for infrastructure is critical to driving our economy forward. America is currently facing many challenges stemming from deteriorating infrastructure.

Proposition 6 Repealed in California

Granite continues to make contributions to campaigns that support infrastructure funding. In 2017 and 2018, Granite contributed financial support and significant senior management resources to work with the broad coalition to defeat Proposition 6, an effort to repeal Senate Bill-1 transportation funding in California. The coalition's campaign resulted in the repeal effort being defeated by a 58 percent to 42 percent margin.

By rejecting Proposition 6, California voters delivered a loud and clear message that transportation infrastructure is a priority. Voters

have expressed their will, and SB-1 funding will be used to fund bridge and road safety, transportation, and public transit improvement projects across the state.

CA SB-1 Infrastructure Investment

SB-1 is a landmark transportation investment to rebuild California by fixing neighborhood streets, congested freeways, and bridges in communities by targeting state funds toward transit and corridor improvements. SB-1 invests \$5.4 billion annually over the next decade to fix California's transportation system. It will address a backlog of repairs and upgrades, while ensuring a cleaner and more sustainable travel network for the future.

Other Local & State Efforts

Granite also participated in more than 12 other state and local campaigns to support efforts to increase infrastructure funding, working with local communities and transportation agencies to advocate for critical investment.



Honolulu Authority for Rapid Transit (HART)
Elevated Guideway and Stations
Honolulu, HI



ECONOMIC



OSIS Augmentation and Relief Sewer (OARS)
Columbus, OH



OSIS Augmentation and Relief Sewer (OARS)
Columbus, OH

Award-winning OARS Tunnel Provides Cleaner and Safer Water Supply

The OARS Tunnel Project in Columbus, Ohio, received the Engineering News Record (ENR) Midwest Regional 2018 Best Projects Award of Merit for Water/Environment.

The tunnel provides 60 million gallons of inline storage for excess water, which will create a safer water supply for the community by reducing sewer overflow from storms into local rivers and streams.

GRANITE THRIVES IN THE SOLAR INDUSTRY



Nationally ranked #6 in Solar by ENR Magazine, Granite has installed the posts and/or mechanical racking system that support the solar panels for over 1.2 gigawatts (GW) of solar power.

With 120 total projects built, Granite has contributed nearly two percent of the nation's total installed photo voltaic capacity. Granite is currently building our largest solar project to date, Phoebe Solar, in Kermit, Texas totaling 250 megawatts (MW).

Industry Associations for Sustainable Infrastructure: Support & Engagement

Historically, Granite has supported industry-wide efforts to advance sustainable practices, and we continue that commitment today. Granite was a founding sponsor of Greenroads, a nonprofit organization advancing sustainability education and initiatives for transportation infrastructure. Granite was also a charter member of the Institute for Sustainable Infrastructure, a nonprofit created to develop and maintain a sustainability rating system for all civil infrastructure.

Many of our employees are committed to industry organizations such as the Association for the Improvement of American Infrastructure; Associated General Contractors of America; the Resource Development Council; the American Road & Transportation Builders Association; the National Stone,

Sand & Gravel Association; and the National Asphalt Pavement Association. Some employees also serve on some of these associations' boards of directors and specific committees related to sustainability, including the American Society of Civil Engineers' Sustainable Infrastructure Committee and the National Asphalt Pavement Association's Sustainability Committee.

Sustainable Infrastructure Solutions

Our company purpose is inextricably linked to sustainability because the infrastructure we build is critical to supporting the sustainability of society, allowing the flow of commerce, supply of energy, and movement of goods and people. Ultimately, our goal is to improve quality of life through reliable, sustainable infrastructure solutions. The projects in this section demonstrate how the infrastructure we build directly impacts people and their quality of life.

2020 OBJECTIVES

We will participate in the advancement of industry-wide sustainable construction practices.

We participate in sustainable practices and partner with organizations promoting sustainability such as Greenroads and the Institute for Sustainable Infrastructure.

Our leaders will continue to actively engage in industry, grassroots, and direct efforts at the local, state, and federal levels to advocate for adequate and sustainable public infrastructure funding.

Senior Managers are committed to industry organizations such as the National Stone, Sand & Gravel Association and the Resource Development Council.

Going Forward

Looking to the Future

As a leading sustainable infrastructure provider, we accept our social responsibility to improve quality of life indefinitely without degrading the quantity, quality, or availability of natural, economic, and social resources.

Refine Sustainability Reporting Strategy

One of our priorities is to refine our reporting strategy to ensure that we are measuring and reporting on all metrics relevant to our sustainability efforts. Several reporting standards may apply, so we will evaluate options for aligning our report with a standard approach. We will also be increasing the publication of our sustainability report to an annual basis to align with our Annual Report cycle.

Global View & Growth Through Acquisitions

We have recently expanded our market coverage throughout the Americas and recognize that this growth brings additional responsibilities related to sustainability. This may result in further expansion of our areas of focus within the framework of social, environmental, and economic considerations.







Highway 101: Carpinteria
to Santa Barbara
Santa Barbara, CA



Pictured on front: The "New" New York Bridge
Westchester to Rockland Counties

Sustainability data can be challenging to measure accurately. We work continuously to improve our data gathering, measurement, analysis, and reporting processes to increase the integrity of the information presented. This report contains the best data available at the time of publication (June 2019).

All of us at Granite are deeply committed to our stakeholders and to improving the way we share information about our sustainability efforts. We welcome your feedback and comments.

Granite Construction Incorporated is traded on the New York Stock Exchange under the trading symbol NYSE: GVA.

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